The formation of Enhanced Infrastructure Financing Districts (EIFDs) will be beneficial in replacing a portion of Redevelopment Agency funding; the establishment of these districts must be fast-tracked within the region by educating governmental entities of their uses and benefits. EIFDs have the power to:

**Adopt an infrastructure financing plan, by act of a county or city legislative body, instead of requiring a vote by two-thirds of the electorate;**

**Issue bonds for a period of up to 45 years, secured by tax increment financing, contingent on a vote of 55 percent of the electorate instead of two-thirds;**

**Serve a broader range of purposes than traditional Infrastructure Financing Districts (e.g., funding transit priority projects, low- and moderate-income housing, environmental remediation, etc.).**

Expand funding for the State Infrastructure Bank and a new regional infrastructure investment authority (as detailed in the section titled Securing the Future through Critical Regional Infrastructure Investment) to fund more projects, including those that incorporate housing.

Incent or empower local government jurisdictions to assemble and bank developable land for housing. Assembled parcels can facilitate the development of multi-family projects and enable the region to more efficiently meet its RHNA targets.

In summary, given the depth of the region's housing shortage, even if the many recommendations above were adopted in their entirety, the region would still not get to the point where the amount of new units produced would be sufficient to stabilize home prices or bring them down to a level where they would be affordable to the majority of Bay Area residents. For that to happen, there needs to be a paradigm shift in how new housing is planned and permitted in the Bay Area. This would likely require limiting the ability of local jurisdictions to deny new housing starts if they have not met or are not on track to meet their RHNA obligations. That may take the form of a regional "by right" or ministerial approval process for all plan-compliant projects or the creation of a regional review body that has approval powers and is free from parochial politics and pressures. Crises require bold actions. Without them, things will continue to get worse.

## 3 Form the Bay Area Regional Economic Development Partnership

### CONTEXT AND GOALS

The Bay Area's regional governance structure consists of four pillar agencies, each with a distinct mission and authority. Transportation is handled by the Metropolitan Transportation Commission (MTC); land use by the Association of Bay Area Governments (ABAG); air quality by the Bay Area Air Quality Management District (BAAQMD); and the bay front by state agency San Francisco Bay Conservation and Development Commission (BCDC). Each aims to maintain a regional perspective, given the Bay Area's interconnected transportation, housing, infrastructure, and workforce needs. However, sustaining the region's economic competitiveness is not central to the planning efforts and decision-making of any of these regional agencies, the business community is largely uninvolved, and local leaders have no formal forum to engage in discussions on the economy and job growth at a regional level.

If the Bay Area were a country, its economy would rank 23rd in the world. The region's robust innovation economy facilitates the exchange of ideas and collaboration within the Bay Area as well as with other innovation hubs in the world. While the regional economy is currently very strong, the next downturn is around the corner. Greater economic resiliency can help soften the blows of downturns, and it can be achieved through collaborative regional action that identifies and supports the development of new economic opportunities as they arise.

The Bay Area economic engine is powerfully self-propelled in many ways, but given the regional nature of the economy, labor market, housing needs, and infrastructure needs, as well as the quickening pace of change in the global economy, the Bay Area would benefit from a regional approach to competiveness and quality of life issues. Parochial interests (at the local level and even within regional agencies) can stunt the progress that is required to sustain economic vitality and grow broad-based opportunity in the region. There are many issues involved, including land use planning, workforce skills development, transportation planning and investment, environmental quality, communications infrastructure, and quality of life.

Unlike most economic regions that concentrate around a single major city, the Bay Area economy consists of three major cities, nine counties, and nearly 100 smaller cities. Each local government in the region has its own strategy for attracting and retaining jobs, with little coordination across the region and competition between jurisdictions at many times. Many of these local efforts have been successful in creating an environment more conducive to economic growth—as outlined in Section 2—though a more regionalized approach can serve to complement and strengthen these initiatives. A regional economic development body would also assist with the retention and expansion of existing regional employers and support the attraction of new employers—large and small—to the Bay Area.

A regional approach could support the development efforts of Bay Area communities with limited means to connect with economic opportunities in the region and help to align their efforts with the strategic needs of the region. A regional body could also assist localities with planning services and project financing. For example, the East Bay city of Richmond can greatly expand its economic potential with two new regional assets that are being planned—the Berkeley Global Campus at Richmond Bay and a new ferry service to and from San Francisco. The Global Campus will attract universities from around the world that are looking to establish a presence in the Bay Area, as well as private sector research partners. The region's transportation needs are growing, and ferries are an under-developed resource for moving more people across the bay.

Despite this significant potential, the City of Richmond has very limited resources for the planning and infrastructure investment required to best leverage the potential benefits to the city, the county, and importantly, the region as a whole. A regional economic development approach could facilitate more collective thinking within important regional corridors—in this case, Richmond acts as a connector to Marin County via the Richmond-San Rafael Bridge and to Solano County via the I-80 corridor. Similar cross-county corridors exist on I-580/I-680 in the Tri-Valley, along I-680 and I-80 between Solano and Contra Costa counties, and on the I-880 corridor between Alameda and Santa Clara counties.

The area around the Daly City BART station provides another example where regional support could translate into local and regional benefits. Currently, the land around the station is underutilized, but with planning and financing support from a regional body, the city could better leverage the area for greater economic benefit. It could also serve as a regional model for transit-oriented development.

The establishment of a regional economic development partnership in the Bay Area would target the following goals:

***Promote faster and less costly parcel development, financing, and project delivery in the region.***

***Facilitate growth of Bay Area companies within the region and support the entrance of new companies.***

***Create strategies for the location of jobs in relationship to regional plans for transportation, housing, and workforce development.***

***Attract global businesses to locate within the Bay Area through effective communications and an initial point of regional contact.***

### STRATEGY

The current governance structure of the region lacks an agency dedicated first to the economy. A regional body should be created to focus on how to build and sustain the Bay Area's global economic competitiveness, with a focus on facilitating strategic business growth and job creation. While cities and businesses will continue to have their individual interests and perspectives, global and national economic competition is increasing between major economic regions. In this environment, a city-by-city approach is no longer adequate to ensure that the region's assets are effectively presented to potential external partners and that they are deployed to ensure the Bay Area's competitive advantage.

**Examples of Regional Economic Development Organizations in California**

Other regions in California and around the country have Economic Development Corporations (EDCs) that serve as platforms for strategic cooperation between government and business in order to promote economic competitiveness.

Within the state, best practices can be drawn from the **Los Angeles Economic Development Corporation** (LAEDC). LAEDC utilizes a regional—though single county—strategy that incorporates business assistance and attraction programs, economic research and analysis, real estate advisory services, trade and investment assistance, and public policy leadership.

A key feature of LAEDC is its subsidiary, the Los Angeles County Public Landowners Assistance Network (L.A. PLAN). L.A. PLAN forms public-private partnerships that both maximize the value of publicly owned real estate assets and advance the public sector's economic development and job generation priorities. It assists municipalities and other public entities throughout Los Angeles County, helping them to think more strategically about their real property holdings by

**Matching underutilized public property and businesses looking to expand or relocate;**

**Developing a strategic asset management plan for publicly owned land parcels;**

**Implementing the strategic asset management plan through planning, infrastructure development, project management, and permitting assistance.**

LAEDC also has a business-oriented program for site selection, linked to L.A. PLAN, which stands out as a model for public-private cooperation for economic development. LAEDC's services in this area range from assisting cities in planning for public lands to working with businesses to locate sites for development and the tax credits to finance them. These strategies have been successfully utilized to facilitate the creation of regionally significant industry clusters, for community revitalization purposes, and to speed development efforts that would have otherwise taken years to complete.

The **San Diego Regional Economic Development Corporation** (SDEDC) provides another useful example. SDEDC serves local companies by providing assistance with business expansion plans, organizing programs to help retain businesses, and advocating for policies that enhance the region's economic competitiveness. SDEDC is also actively involved in marketing the region, highlighting its workforce talent and quality of life, in order to attract new investment and new companies to the San Diego area.

## CREATING A REGIONAL ECONOMIC DEVELOPMENT ORGANIZATION IN THE BAY AREA

While two other major economic hubs in the state, Los Angeles and San Diego, have regional organizations dedicated to advancing their respective economies, the Bay Area lacks such an entity. Consideration should be given to the establishment of a regional, public-private collaborative effort dedicated to advancing the Bay Area's national and global economic competitiveness. The organization, with the proposed name ***Bay Area Regional Economic Development Partnership***, would have three core missions: marketing the region to businesses and investors, creating a platform for ongoing engagement between business and government on regional economic priorities, and enabling the strategic development of public land.

***Communicate the region's attractiveness to businesses and investors.***

Undertake a communications effort to expand the global awareness of the Bay Area brand, its distinct assets, its diversity of locations for business activities, and its innovation ecosystem.

Provide global businesses with an initial point of contact in the region and information on the region's economy to make it easier for businesses to move to and operate within the Bay Area.

***Create a platform for public-private collaboration on regional economic strategy.***

Aggregate public planning and development goals, and convey that information to developers and businesses looking to expand their operations.

Help local governments create consistent business permitting guidelines across jurisdictions and set goals for streamlining development permitting processes.

Create ongoing dialogue between businesses, local government, key stakeholders, and regional agencies about changing needs and new strategies related to workforce, infrastructure, communications connectivity, and other issues. This would include linking with regional workforce development efforts development efforts as described in a later section.

Act as a regional clearinghouse on land availability, zoning, permitting, tax incentives, and local development plans throughout the Bay Area.

Assist businesses looking to expand within or enter the region through site selection services and consulting.

Build technical capacity within local Bay Area economic development efforts, and help communities combine public and private capital for projects when necessary.

***Facilitate the unlocking of the potential of the Bay Area's public land.***

Identify underutilized public property and potential businesses that could put those properties to greater economic use.

Coordinate and consult with local governments to target the best uses of public lands, which might include residential, commercial, or industrial uses.

Assist in planning and permitting for military base redevelopment.

## IMPLEMENTATION

Economic development organizations can be effective in mobilizing collaborative action between business and government, but most such groups around the country are driven by a prominent city or county agency. The Bay Area's diverse character and nine counties bring added complexity to how a Bay Area regional organization is formed, governed, and funded.

### ORGANIZATION AND GOVERNANCE OF A REGIONAL ECONOMIC DEVELOPMENT PARTNERSHIP

Most regional economic development entities today are part of a group of 380 federally designated Economic Development Districts (EDDs). These districts—composed of multiple local jurisdictions—have access to federal funding and are often part of a larger regional planning organization or regional council of governments. For example, the Puget Sound Regional Council in Seattle utilizes the Economic Development District designation to tackle regional issues in transportation, growth management, and economic development. Under the federal statute instituting EDDs, their governing bodies must contain at least one private sector representative and a simple majority of elected officials.

Economic Development Corporations provide a more flexible development model, as they are generally housed apart from their regional government partners. Across the country, a wide spectrum of EDC organizational structures exists, from public-private partnerships to quasi-governmental entities. At one end of this spectrum, the San Diego Regional EDC receives funding and direction from private sector members and a small group of public partners. On the opposite end of the spectrum, the New York City EDC operates much like a city agency while organized as a non-profit group. Between these two lies the Los Angeles EDC, which receives nearly half of its funding from private member sources and over one-quarter from the county and local cities.[36] While each of these three organizations has similar goals, their respective models provide distinct lenses through which to view economic development.

**RECOMMENDATION FOR IMPLEMENTATION:** For the Bay Area Regional Economic Development Partnership to have the broadest reach and an ability to utilize a wide variety of public policy levers, it should be organized as a public-private partnership separate from existing agencies. It could also apply for status as an EDD to access federal funding. In combining the business community's perspective on job creation with the public sector's ability to assist in the delivery of key services—such as transportation and workforce skills development—a Bay Area regional partnership can address economic issues on multiple fronts.

Given the Bay Area's combination of regional agencies that deal with housing, land use, transportation, and environmental issues, it is important that the functions of the Bay Area Regional Economic Development Partnership be placed appropriately within the existing structures—building off of existing expertise and not duplicating functions. Specifically, the Association of Bay Area Governments (ABAG), Metropolitan Transportation Commission (MTC), and Bay Area Council (BAC) all have interests in economic development, and each should play key roles in the formation of the partnership.

For the proposed public-private partnership model to be governed successfully, it must be composed of balanced interests from both the public and private sectors while maintaining a makeup that is truly regional. The governing commission should collaborate directly with MTC, ABAG, BAC, and the Governor's Office of Business and Economic Development, and should be formed as follows:

> Each Bay Area county's Board of Supervisors should appoint one individual to the governing commission of the Bay Area Regional Economic Development Partnership—a total of nine members. This appointment should be filled by someone who has strongly demonstrated a regional perspective.
>
> From the private sector, the Bay Area Business Coalition,[37] the voice of the regional and sub-regional business interests in the Bay Area, should appoint another eight members.

This makeup of 17 members would bring together the region's business community and the public sector to engage perspectives from across the region. To create a governance structure that reflects regional priorities and goals—as opposed to only local priorities—appointees should be active participants in economic development (from either a public or private sector viewpoint), with broad regional experience in business retention/attraction, workforce development, housing development, or infrastructure planning.

### FUNDING A REGIONAL ECONOMIC DEVELOPMENT AGENCY

Linked to the organization and governance of a regional economic development agency is its funding model. Whereas other county- or city-specific EDCs have been created and funded through legislative action,[38] a Bay Area regional organization has no counterpart regional government entity with taxing authority to act as a funding source. Instead, a Bay Area agency could be funded through a combination of business partner contributions and innovative public funding streams, which might include:

***Funding awards created by the state;***

***Regionally-pooled taxing mechanisms; or***

***Contributions from local governments.***

**A funding mechanism through state government** could be beneficial in developing a regional economic development agency for the Bay Area and for other regions in the state. One model that could be applied in California comes from New York State, which created 10 Regional Councils in 2011 to develop long-term strategic plans for economic growth. The councils are public-private partnerships made up of local experts and stakeholders from business, academia, local government, and the non-profit sector. Employing a bottom-up economic development model, each council develops strategic plans with specific projects tailored to the region's unique strengths and resources.

To fund the projects included in each region's plan, New York has instituted a consolidated funding application that allows Regional Councils to use one application to apply for a menu of state funding available through grants and tax credits. Through the first four years of funding, the state has awarded nearly $3 billion for job creation and community development. In 2014, the state awarded over $700 million to 852 projects sponsored by Regional Councils. These projects range from funding for the construction of a nursing innovation lab and training center, to manufacturing facility modernization, to the redevelopment of vacant industrial sites.

**A regional funding stream** could also support the *Bay Area Regional Economic Development Partnership*. Existing Bay Area regional agencies do not currently levy any taxes, though the Metropolitan Transportation Commission does have authority to implement a gasoline tax within its nine-county jurisdiction. MTC and ABAG also receive ongoing revenues from federal, state, and local government for the development of regional projects. An economic development partnership could request and access a small portion of these funds based on specific project needs. Other potential sources of revenue on a regional scale could stem from vehicle registration fees, business licensing fees, bridge toll increases, or even a region-wide sales tax. New taxes to fund economic development are complicated by the need for voter approval and restrictions on allowed uses. However, a regional pool of money could be applied outside of state authority and would not be subject to state budget and appropriation cycles.

**A local funding approach**—similar to that utilized by LAEDC—would entail cities and counties contributing annually to the budget of the regional development partnership. This approach works in Los Angeles, because the cities and county are potentially able to recoup those costs and see further benefits through tax receipts. With LAEDC bringing more business to the area, sales and property taxes levied at the county level should see commensurate increases with economic activity. While this model is appropriate for EDCs contained within a single county, a Bay Area regional economic development agency would have no means of distributing increased tax revenue to constituent governments without a new taxing tool.

To better accomplish the task of matching costs and benefits, a regional tax—such as a sales tax measure—would need to be established. Under a regional taxing structure, all cities could contribute to the agency's annual budget, and all would benefit through sales tax growth when applicable, similar to the model of tax increment financing. In this way, participating local governments could share in the benefits brought about by the economic development partnership even if the distribution of projects and business openings is not even across every jurisdiction.

**RECOMMENDATION FOR IMPLEMENTATION:** For the Bay Area Regional Economic Development Partnership to be funded sustainably, a combination of local and state funding avenues should be explored. This model would produce a base amount of funding through business partner and local government contributions and would draw on a state-level financing structure that can facilitate large-scale project development.

This type of bottom-up approach—similar to that enacted in New York State—gives the state authority to award grants for implementation based directly on regional determination of the best course of action. If a similar model were implemented in California—marrying regional control with state funding oversight—it could act as a partial replacement for the redevelopment agencies that were dissolved by California's 2011 Budget Act. Prior to their dissolution, redevelopment agencies controlled approximately $5 billion per year in tax revenue to be used for affordable housing, transportation, and development projects.[39]

Funding can be bolstered by a statewide corporate income tax check-off, which would allow the state's corporations to voluntarily contribute resources to the state's economic development entities—including the Bay Area Regional Economic Development Partnership, as well as existing EDCs, such as LAEDC and SDEDC. This approach would allow economic development organizations to capture a small amount of funding from the businesses they are designed to assist. Legislation enabling this program can also incorporate new EDCs in regions of the state that currently do not have an organization filling this capacity—or make permanent the regional work already being done through the California Economic Summit process.[40] To track the effectiveness of this program, the state should develop a methodology for regional economic development organization to uniformly track job creation efforts.

## 4 Create an Adaptive Regional System for Workforce Development: Producing World-Class Skills and Expanding Opportunity

### CONTEXT

The Bay Area has one of the most dynamic labor markets in the country today. The unemployment rate in all of the region's nine counties was below the statewide average of 6.2% in May 2015. In San Francisco, the unemployment rate was just 3.4% in the same month.[41] While the conversation around the Bay Area's workforce often focuses on technology companies in heavy competition for top technical talent, the region has a highly diverse economy, and employers across all sectors face challenges in finding workers with the skills they need.

As tools and industries change, jobs and the skills required for those jobs also change. Increasingly, these changes are creating mismatches between the skill sets of workers and those required by the region's employers. This is the case for growing technology companies as well as for established employers in the public and private sectors. The growing skills gap has major implications for middle-wage opportunities, where employers are challenged to fill available positions. Many sectors also face an aging workforce with large numbers of key employees nearing retirement, and the pipeline for skilled replacement workers is not sufficient.

The current models for training and retraining workers present a major challenge. According to California's Strategic Workforce Development Plan 2013–2017, "California's workforce institutions and problems are siloed." Career Technical Education (CTE) programs "are not linked into coherent career pathways," and, "California's system of basic skills education is failing most students."[42]

As a result of the disconnections across the diverse mix of educational systems, training facilities, and workforce development organizations, programmatic decision-making in the Bay Area takes place without a strategic approach focused around a regional vision. Coordination across education providers, employers, and Workforce Investment Boards (WIBs) is weak. The varied funding streams and grants from federal, state and local sources that flow into the education and workforce development space are siloed as well. As a result, few common agendas and no broad regional strategy can emerge.

Only a few workforce development efforts are informed by active collaboration with employers. For example, the East Bay Leadership Council has assembled a task force to strengthen the partnership between industry and education. At the high school level, the Linked Learning initiative combines rigorous academics, demanding technical education, and real-world experience to build the skills necessary for viable careers today. In a new initiative, the Bay Area Community College Consortium has expanded its previous role in regional career technical education curriculum approval to oversight of the state grants allocated to its 28 member colleges. The goal is to better meet regional employer needs while avoiding duplicative efforts in curriculum development and program offerings.

The Bay Area's labor market is regional, but current workforce development efforts are limited to specific places within the region. While employers can engage with community colleges and WIBs to address workforce gaps, these efforts often occur at minimal scale with one employer working with a single program. Particularly in the area of technical training, this lack of regional vision creates duplicative programming and gaps in the region's workforce investment programs.

In addition to challenges within the education and training system, the Bay Area's high cost of housing contributes significantly to the challenges faced by employers. This is the case for recruiting highly skilled workers coming from outside the region as well as for retaining employees currently in the Bay Area who have the ability to move to places with lower costs of living—either by changing employment or by transferring within their organizations. This makes finding and keeping talent in the Bay Area more challenging.